REMARKS/ARGUMENTS

By this paper, Applicant resubmits the amendment of and respectfully requests that the Examiner examine the application in a manner consistent with all law.

Claims 266-375 are now pending, a total of 110 claims.

I. Definition of "repurchase agreement"

Applicant gratefully acknowledges the statements in the Action reflecting the standard definition of the term of art "repurchase agreement." Prosecution before the previous examiners was much delayed because of disagreement over whether the term "repurchase agreement" is a term of art having a specific meaning, or whether the broadest reasonable interpretation could depart from that meaning. It appears that this issue is no longer in dispute. In order to keep the claims reasonably compact, the express definition that was proposed in the amendments of January 2009 is now not added by amendment. The recitation or non-recitation of the standard definition of a term of art makes no difference to the scope of the claims, it merely makes them easier to handle for all concerned.

Applicant notes the following definitions of the term "repurchase agreement," and notes that there may be additional small variations on the theme:

> 1. a contract between a dealer, as a bank, and an investor, whereby the investor purchases securities with the promise that they will be bought back by the dealer on a designated date, for which the investor receives a fixed return.[1]

> sale of securities coupled with an agreement to repurchase the securities at a higher price on a later date. A repurchase agreement is similar to a secured loan. Most repurchase agreements (or repos, as they are called) are overnight transactions, with the sale taking place one day and repurchase the next. Long-term repos, or term repos, can extend for a month or more, usually for a fixed time period. The opposite side of a repurchase agreement is a reverse repurchase agreement, a purchase of securities followed by a sale back to the seller. Securities dealers use repurchase agreements to finance their inventories, selling their inventories to counterparty investors (for instance, a money market mutual fund) that have excess short-term funds they want to invest in higher-yielding securities.[2]

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[1] http://dictionary.reference.com/browse/repurchase+agreement

[2] http://www.allbusiness.com/glossaries/repurchase-agreement/4954447-1.html

> A contract giving the seller of an asset the right or obligation to buy back the asset at a specified price on a given date.[3]

> **REPURCHASE AGREEMENT.** agreement between a seller and a buyer, usually of U.S. Government securities, whereby the seller agrees to repurchase the securities at an agreed upon price, and usually, at a stated time. …[4]

> A **Repurchase agreement** (also known as a **repo** or **Sale and Repurchase Agreement**) allows a borrower to use a financial security as collateral for a cash loan at a fixed rate of interest. In a repo, the borrower agrees to immediately sell a security to a lender and also agrees to buy the same security from the lender at a fixed price at some later date. A repo is equivalent to a cash transaction combined with a forward contract. The cash transaction results in transfer of money to the borrower in exchange for legal transfer of the security to the lender, while the forward contract ensures repayment of the loan to the lender and return of the collateral of the borrower. The difference between the forward price and the spot price is the interest on the loan while the settlement date of the forward contract is the maturity date of the loan.[5]

> A contract in which the seller of securities, such as Treasury Bills, agrees to buy them back at a specified time and price..[6]

> A **repurchase agreement** (or **repo**) is an agreement between two parties whereby one party sells the other a security at a specified price with a commitment to buy the security back at a later date for another specified price. Most repos are overnight transactions, with the sale taking place one day and being reversed the next day. Long-term repos—called **term repos**—can extend for a month or more. Usually, repos are for a fixed period of time, but open-ended deals are also possible.[7]

In the interview of January 2009, Examiner Maguire and Applicant reached agreement that the Barons' dictionary definition of "repurchase agreement" was as good as any dictionary definition (subject, as always, to the variations that sometimes exist outside a lexicographer's attention), and that prosecution would advance on that basis. Applicant hopes that the long-standing disagreement on the definition of "repurchase agreement" is now resolved, and that the above dictionary definitions and agreement with Examiner Maguire will be honored by Examiner Diaz.

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[3] http://www.answers.com/topic/repurchase-agreement

[4] Barrons' Dictionary of Finance and Investment Terms

[5] http://en.wikipedia.org/wiki/Repurchase_agreement

[6] http://www.investorwords.com/4191/repurchase_agreement.html

[7] http://www.riskglossary.com/link/repo.htm

II. Written Description

A number of examples of "open material terms" are supported in the specification. For example "unspecified collateral" (page 17, line 28), "proposed terms" that are open for further negotiation (page 18, line 7 and page 22, line 26), and the "formatted parameters, representing a desired deal" (page 23, line 7).

III. § 112 ¶ 2

Many of the issues discussed in paragraph 8 of the action are an artifact of examining claims that had been amended in the non-entered Supplementary Amendment, which addressed precisely these issues.

The Action questions the language of claim 271, "has one or more open material terms that may be supplied in a counteroffer by the offeree." This claim language excludes cases where all material terms are specified by the offer on a "take it or leave it" basis. That some other unspecified act may or may not take place outside the scope of the claim merely means that the claim is broad, not indefinite. MPEP § 2173.04.

The Action questions the language of claim 282, "determining a net counterparty exposure of a party for at least one of an existing repurchase agreement and a party-counterparty pair." The claim is not indefinite, it is merely broad. It covers both situations identified in the Action. Breadth is not indefiniteness. MPEP § 2173.04.

In an unnumbered paragraph at page 8, the Action raises a question relating to "an existing repurchase agreement." The claims maintain a clear distinction between an "offer," "proposal," or similar, and a fully agreed "repurchase agreement" that contractually binds the parties. The Office Action's query is not understood.

IV. § 103: the claims and Foley '046, Equity Derivatives, and Credit Lyonnais Repo

A. The Office Action underappreciates the differences between stocks and repurchase agreements

Foley '046 discusses trading shares of stock. Because stock shares are heavily regulated, *every* share of common stock in any given company is *identical* to all other common shares of that company. And shares of one company carry very similar shareholder rights to the shares of any other company traded on the same exchange. Thus, a computer trading system that trades

shares of Intel (Foley '046 col. 5, lines 25-27) works just the same to trade shares of any other NASDAQ stock.

In contrast, "all repo transactions are negotiated on an OTC basis [so that] they can be tailored to the specific needs of both counterparties." (Credit Lyonnais Repo, p. 26, col. 2). No two deals look alike, except by chance. Two repo transactions involving sale and repurchase of the identical securities by the identical seller, one on Monday, one on Tuesday, may be quite different.

Importantly, in Foley '046, every user interaction starts with selecting a particular stock to be traded (Foley '046 col. 2 line 33). In contrast, throughout Applicant's specification and in some of the independent claims, orders are often entered with ***no designation of the securities to be traded***, but only an open offer term—a key part of the negotiation is to determine what the deal is about. Foley negotiates one deal at a time, and when that deal is agreed, it is immediately executed. In contrast, a repurchase agreement necessarily involves ***two*** deals that must be agreed simultaneously—for example, if the parties agree on one leg of a repo transaction, but cannot agree on the other, then the agreed leg must ***not*** be executed.

Thus, the Action's repeated statements that "the recited manipulative steps and structural element are not significantly affected by the type of securities exchanged" is simply not true. Trading systems for trading heavily-regulated securities that are all identical or very similar to each other simply don't work for repo transactions: everything from the regulatory environment, to database table structures, to buyer/seller matching algorithms, to the order in which steps occur, to the screen layouts, are at least different, and in many cases incompatible, between Foley '046 and repo transactions. One of ordinary skill would not likely take Foley's software and adapt it to the invention; one would be far more likely to start from scratch.

B. The Office Action overstates the content of the Equity Derivatives article

The Office Action opines "'Equity Derivates' discusses how a repo market was created on the Oporto Derivatives Exchange ('Equity Derivatives' ¶ 1)." After consulting with a person knowledgeable about the way things were done at the time, Applicant's attorney represents to the Office that the proper reading of the "Equity Derivatives" article is that it says only that the Oporto exchange had a trading protocol operated ***by humans***. When a buy order and a sell order

met certain criteria, the exchange would execute those orders against each other, without further confirmation from the trader. The word "automatic" refers to no-confirmation trading performed by humans, not an automated or electronic trading system.

Further, even if the Oporto Exchange might have practiced the claim, the Exchange was not "in this country," and thus the Exchange is not prior art under any section of 35 U.S.C. § 102. The Oporto "Equity derivatives" article is only prior art for what is taught within the four corners of the document, not for any feature of the Exchange itself.

C. The Action overstates the content of the Credit Lyonnais "Repo" article

At several points, the Action makes several statements along the lines of "As seen in 'Repo' .. the financial markets were … already changing to … automated repo trading systems." The Action never identifies any teaching in the Credit Lyonnais "Repo" article that suggests an "automated system" for trading (as opposed to, for example, clearing and settlement of transactions reached non-electronically), and no such teaching is apparent to Applicant's review. If any such position is maintained in the future, Applicant requests that the relied-on portion of the reference be designated "as nearly as practicable," as required by 37 C.F.R. § 1.104(c)(2).

It is also important to note that the article appears to describe only activities in France. Though the article may well be a "printed publication" under § 102(b), on the current state of the record, nothing described therein may be relied on as "in public use or on sale in this country" prior art.

D. Group 1: Claims 267, 283, 284, 290 (and dependent claims 275, 322, 333, 338, 341, 366) – open designation of security subject to the offer

A first group of claims is generally directed to the idea that an offeror enters an offer to trade that leaves open the precise security to be traded. The electronic system permits an offerees to select from two or more securities that are within the scope of the offer. Claim 267 recites as follows:

> 267. The method of claim 266, wherein:
>
> messages in the automated repurchase agreement trading system communicating offers for display designating two or more securities issues from among which the offeree may choose one or more; and
>
> the negotiating messages include a selection from among the two or more offered securities that are to be the subject of the repurchase agreement contract, the automated

repurchase agreement trading system being programmed to void any outstanding negotiations on agreement of the offeror and offeree.

New claim 284 recites approximately the same invention in independent form:

> 284. An automated repurchase agreement trading system with tangible memory, the tangible memory storing one or more programs programmed to cause the automated repurchase agreement trading system to:
>
> make available to offerees a description of an offer for a repurchase agreement contract for acceptance or negotiation by a one of the offerees, securities that are subject of the offer being two or more securities issues from among which the offeree may choose one or more; and
>
> transmit messages between the offeror and offeree to negotiate a repurchase agreement contract based on the repurchase agreement offer, the messages including a selection from among the two or more offered securities that are to be the subject of the repurchase agreement contract, the automated repurchase agreement trading system programmed to void any outstanding negotiations on agreement of the offeror and offeree.

No reference now of record teaches or suggests an offer made by an offeror with two securities, communicated to an offeree who can choose from among them. The Office Action points to Foley Figs. 1, 8-9, and col. 4, lines 118-36 and col. 7, lines 44-53, and notes that Foley's ***first*** participant may select an offer to negotiate. But that does not correspond to the claim language. The claim recites that an offeror puts out an offer that designates two or more securities, and the ***offeree*** may select a security from among those designated by the offer. Foley's ***second*** participant does not have the offeree's ability to choose as recited in these claims.

Independent claims 283, 284, and 290, and dependent claims 267, 275, 322, 333, 338, 341, and 366 recite similar (though not always identical) language, and are patentable for similar reasons.

E. Group 2: Claims 268, 283, 313, and 319 (and dependent claims 276, 313, 334, 342, 367) – offeree's ability to substitute on the return leg

Claim 268 is discussed at page 14 of the Action. Claims 268 and 313 recite

> 268. The method of claim 266, wherein:
>
> the repurchase agreement offer includes **data representing** a proposal to obligate the seller party among the parties to the repurchase agreement to repurchase securities within **a range of securities substitutable for the sold securities at the option of the buyer**.

> 313. A method, comprising the steps of:
>
> by automated repurchase agreement trading system, transmitting messages to offerees describing an offeror's offer for a repurchase agreement contract for acceptance

or negotiation by a one of the offerees, the repurchase agreement offer **message proposing** to obligate a seller party among the parties to the repurchase agreement to sell securities to a prospective buyer party and **to obligate the seller to repurchase securities within a range of securities substitutable for the sold securities at the option of the buyer** at a future date as agreed, at a future price as agreed; and

by automated repurchase agreement trading system, transmitting messages between the offeror and offeree to negotiate a repurchase agreement contract based on the repurchase agreement offer.

These claims recite "data" or "messages" that that specify "a range of securities substitutable for the sold securities at the option of the buyer." All variations of obviousness set forth in MPEP § 2143 require "known" elements. The Action does not even aver that such data or messages were known, let alone how a trader might enter such data or how the data in the references might correspond to that in these claims.

The Action opines "the Examiner submits that it would have been obvious …" "The Examiner submits" is not one of the grounds of obviousness permitted by MPEP § 2143, and is not one of the classes of substantial evidence available under MPEP § 2144 *et seq*. Pursuant to 37 C.F.R. § 1.104(d)(2), Applicant calls for substantial evidence showing that the "data" or "messages" of these claims was known. Any obviousness inquiry requires that all claim limitations be known individually; Applicant requests at least that showing.

The Action opines at the top of page 15 that "Electronic trading systems for … handling repurchase agreements existed at the time of Applicant's invention." The Action does not identify any such system. As noted in § IV.B at page 9 above, the "Equity Derivatives" article does not support this assertion, for two separate reasons. If any similar issue is raised in the future, Applicant requests that the Action "designate portions relied on" as nearly as practicable, as required by 37 C.F.R. § 1.104(c)(2).

Similarly, in the middle of page 15, the Action makes several assertions regarding the Credit Lyonnais "Repo" article that appear to be unsupportable, as noted at § IV.C at page 9 above.

Independent claims 283, 313, and 319, and dependent claims 268, 276, 313, 334, 342, and 367 recite similar (though not always identical) language, and are likewise patentable over the three references now of record.

F. Group 3: Claims 269, 283, 323, 331 (and dependent claims 277, 323, 314, 343, 368) – "preestablished master purchase agreement"

Claim 269 is discussed at pages 16-17 of the Action. Claims 269 and 323 read as follows:

> 269. The method of claim 266, wherein:
>
> the automated repurchase agreement trading system is programmed to control transmitting messages describing the repurchase agreement offer or negotiating the repurchase agreement contract based at least in part on a **preestablished master repurchase agreement between the offeror and offeree** to whom the repurchase agreement offer is made available.
>
> 323. A method, comprising the steps of:
>
> by automated repurchase agreement trading system, transmitting to offerees messages describing a repurchase agreement offer for acceptance or negotiation by a one of the offerees; and
>
> by automated repurchase agreement trading system, transmitting messages between the offeree and the offeror to negotiate a repurchase agreement contract based on the repurchase agreement offer, the automated repurchase agreement trading system transmitting messages describing the repurchase agreement offer to offerees or negotiating the repurchase agreement contract based at least in part on **a preestablished master repurchase agreement between the offeror and offeree** to whom the repurchase agreement offer is made available.

The Action reflects some possible unfamiliarity with the jargon in the art. "Master agreement" is a term of art, meaning an agreement reached between parties, in which the parties agree to most of the terms that will govern future transactions. With a master agreement in place, future transactions can proceed within the terms of the master agreement, and most terms need not be repetitively negotiated.

The Credit Lyonnais Repo article only mentions that master agreements exist, not that there was any thought of integrating them into an electronic system, that integration might be desirable, or that an electronic system might have "messages" based on the agreements. The specification of this application (top of page 22) notes that a preestablished agreement might be used by the system to "calculate various parameters and apply certain rules, such as limits on total counterparty exposure, discount rates, offsetting transactions, and the like." Credit Lyonnais "Repo" does not convey any similar recognition of the desirability of combining master agreements with electronic trading.

Likewise, because Foley '046 trades stocks, which are uniform because of regulatory requirements, the Examiner's speculation at the bottom of page 16 concerning the applicability

of master agreements to Foley ’046 is not well founded. The need for master agreements between parties is much diminished in Foley ’046, because systems like Foley’s typically have one agreement between the exchange and each trader, obviating any need for agreements between offerors and offerees.

Independent claims 283, 323, and 331, and dependent claims 269, 277, 323, 314, 343, and 368 recite similar language, and are patentable for similar reasons.

G. Group 4: Claims 270, 283 and 335 (and claims 335, 315, 324, 346, 369)—short sale repo

Claim 270 is discussed at pages 18-19. Claims 270 and 335 recite as follows:

> 270. The method of claim 266, wherein:
>
> the repurchase agreement offer includes data representing a proposal to obligate the seller party among the parties to the repurchase agreement to a short sale of securities.

> 335. A method, comprising the steps of:
>
> by automated repurchase agreement trading system, transmitting to offerees messages offering a repurchase agreement offer for acceptance or negotiation by a one of the offerees, the repurchase agreement offer message proposing to obligate the seller party among the parties to the repurchase agreement to a short sale of securities; and
>
> by automated repurchase agreement trading system, transmitting messages between the offeree and the offeror to negotiate a repurchase agreement contract based on the repurchase agreement offer.

At page 18, the Action accurately quotes the Credit Lyonnais Repo article, “Repo transaction involving specific issues (‘specials’) are use to ensure delivery against a short sale of that security.” But the Action errs in failing to consider the precise wording of the reference. The Credit Lyonnais article is here discussing two separate transactions, (a) “a short sale of [a] security,” that is a transaction totally apart from a repo transaction, and (b) a repo transaction that is used to ensure delivery of the first transaction. Two unrelated transactions, one a short trade for spot delivery, and one long repo, do not make one short repo, as recited in the claim.

Independent claims 283 and 335, and dependent claims 270, 335, 315, 324, 346, and 369 recite similar language, and are patentable for similar reasons.

H. Group 5: Claims 273, 274, 283, (and dependent claims 321, 332, 342, 359, 360, 375)—tree-structured display

Claim 273 is discussed at pages 26-27. Claims 273 and 274 recite as follows:

273. The method of claim 266, wherein:

the automated repurchase agreement trading system is programmed to provide the capability to display the repurchase agreement offers to the offerees in a tree format and to permit respective offerees to select repurchase agreement offers of interest.

274. An automated repurchase agreement trading system comprising:

a central processor with communications links to a plurality of trading terminals, the central processor having programs to cause the central processor:

to present hierarchical tree-formatted lists of repurchase agreement opportunities on trading terminals of respective offeree users, and to permit an offeree user at a trading terminal to select repurchase agreement opportunities of interest; and

when an offeree user at a trading terminal selects one of said repurchase agreement opportunities, to communicate messages between potential repurchase agreement counterparties about the selected repurchase agreement opportunity.

The Office Action concedes that no reference now of record shows a tree-structured display of any kind of transaction, let alone repo transactions. In order to conjure a claim limitation out of thin air ***and*** provide motivation to modify or combine, "the Examiner submits…"

This is quite beyond the pale. Obviousness requires a showing that every element is known or at least suggested in § 102 prior art, and a showing of motivation to combine supported by ***at least some*** substantial evidence. The Office Action is entirely insufficient to even constitute a good faith effort to examine these claims.

Pursuant to 37 C.F.R. § 1.104(d)(2), Applicant calls for substantial evidence to support each claim limitation, and any motivation to combine.

Applicant also requests that the Examiner identify where "the Examiner submits" is anywhere authorized as a permissible ground for ***anything*** relating to obviousness, and to identify which paragraph of § 102 her "submission" in 2009 might be prior art against an application with a 2001 filing date. Unless those two showings can be made, Applicant requests that the expression "the Examiner submits…" and similar admissions of pure speculation be shelved.

No rejection currently stands against any of claims 273, 274, 283, 321, 332, 342, 359, 360, or 375. Any rejection raised in the future will necessarily be a "new ground of rejection not necessitated by amendment" that prevents final rejection.

I. Group 7: Independent claims 266, 340, and 365

Claim 266 is discussed at pages 9-10 of the Action. Claim 340 recites as follows:

340. A method, comprising the steps of:

by automated repurchase agreement trading system, transmitting to offerees messages offering pairs of transactions, the transactions of a pair related by the automated repurchase agreement trading system to require simultaneous and inseparable negotiation and/or acceptance by a one of the offeree parties and an offeror of a pair, the offered pairs of transactions each including:

(a) an obligation of a selling one of the parties to sell securities to a buying one of the parties; and

(b) an obligation of the selling party to repurchase securities from the buying party at a future date as agreed, at a future price as agreed; and

by automated repurchase agreement trading system, transmitting messages between a prospective buying party and a prospective selling party to a pair of transactions by which they negotiate terms of one or both of the transactions, **the automated repurchase agreement trading system requiring that the two transactions of a pair be contracted for between the buying and selling party simultaneously and inseparably**.

As the Action itself concedes at page 9, the cited portions of Foley '046 only discuss a trading system that can handle **single**-transaction or **single**-obligation transactions. As discussed at §§ IV.B and IV.C at page 9, the Action overinterprets the "Equity Derivatives" and "Repo" articles. Because no reference teaches any form of electronic trading of repurchase agreements, the follow-on inferences—that the invention would be a substitution of known components, that the technical ability existed, etc.—are unsupported. No reference shows trading two deals simultaneously, for simultaneous execution. The Credit Lyonnais "Repo" article and Oporto Equity Derivatives article at best suggest that repo transactions were known, but neither suggests any automated trading system that might work to trade repo paper, let alone an electronic system that treats two separate obligations or two separate transactions as a related pair, as recited in claim 340. Claim 340 is patentable over these references.

Applicant reminds the Examiner that obviousness requires a showing of "motivation to modify or combine" to reach the particular combination claimed, and "reasonable expectation of success" that the particular prior art teachings relied on will achieve the particular invention claimed. *In re Lee*, 277 F.3d 1338, 1343, 61 USPQ2d 1430, 1433-34 (Fed. Cir. 2002) ("The need for specificity pervades [Federal Circuit] authority."); *In re Kotzab*, 217 F.3d 1365, 1371, 55 USPQ2d 1313, 1317 (Fed. Cir. 2000) ("particular findings must be made as to the reason the skilled artisan, with no knowledge of the claimed invention, would have selected these components for combination in the manner claimed"); MPEP § 2143.01 ("The prior art must suggest the desirability of the claimed invention," not merely some unspecified invention in a

related field.) Applicant requests that any future Action not take positions like those expressed on page 10, that "the Examiner submits that it would have been obvious to … adapt Foley's electronic trading system to exchange securities that repurchase agreements" if there is no evidence to support the Examiner's "submission."

Claim 266 recites as follows

> 266. A method comprising the steps of:
>
> by automated repurchase agreement trading system, causing display on a plurality of user terminals of offerees lists of offers for repurchase agreements of securities for acceptance or negotiation by one or more of the offerees;
>
> receiving from a user terminal ~~user~~ an offeror's data entry defining potential terms for a repurchase agreement offer, and
>
> by automated repurchase agreement trading system, communicating negotiating messages between offeror and offeree potential counterparties, based on an identification of a respective repurchase agreement offer, through a negotiation communications interface to negotiate a repurchase agreement contract based on the repurchase agreement offer.

Claim 266 is likewise patentable, even though it does not expressly recite "two transactions of a pair [entered] simultaneously and inseparably," because that is inherent in negotiation of a repurchase agreement.

J. Group 8: Claims 282 (and dependent claims 307, 311, 318, 328, 345, 359)

Claim 282 roughly corresponds to claim 36 that was added by amendment in December 2005. Claim 282 recites as follows:

> 282. A method comprising the steps of:
>
> providing a plurality of user terminals, each displaying a list of offers for repurchase agreements of securities;
>
> receiving from a user terminal a user entry portion for defining potential repurchase agreement terms;
>
> communicating between a party at a user terminal and a potential counterparty at another user terminal, based on an identification of a respective offer, through a negotiation communications interface; and
>
> determining a net counterparty exposure of a party for at least one of an existing repurchase agreement and a party-counterparty pair, and indicating a compensating margin transfer for the net counterparty exposure.

The Office Action reflects a misunderstanding of two terms of art.

"Margin" and a "haircut" are very different things. The statement in the Office Action, repricing and "price variations (that correct for risk)" are ***not*** "effectively compensation margins." They differ by orders of magnitude, the market approach to dealing with offsetting

transactions between parties is very different, the nightly cash flows are completely different, one depends on net counter party exposure and the other does not, etc.

The Office Action makes no meaningful showing against claim 282.

V. Procedural Issue: the Second Amendment of January 2009 should have been entered

The Office Action's analysis of the Second Amendment of January 2009 overlooks several important facts. Because of these facts, the Supplementary Amendment of January 23, 2009 was improperly excluded. In addition, 37 C.F. R. § 1.111(a) was not validly promulgated because the PTO neglected to follow the requirements of the Paperwork Reduction Act, so § 1.111(a) is unenforceable.

The amendment is, by and large, resubmitted in this paper. Applicant notes that any new ground of rejection will ***not*** be "necessitated by amendment"—new claims 283-375 in this amendment should have been examined in July 2009, and will have to be examined in a non-final Action when presented now.

A. First Error: The Action Overlooks the "Suggestion of the Examiner" and "Reply to an Office Requirement" Prongs of 37 C.F.R. § 1.111(a)(2)

The Examiner's Interview Summary of August 26, 2009 states that "neither the Examiner's Interview Summary nor the Applicant's interview summary clearly indicates that the Examiner specifically advised the applicant to file multiple amendments…" This is not correct.

As stated in the Supplementary Summary of Interview filed herewith, and supported by Examiner Maguire's Interview Summary of January 2009, ***SPE Abdi suggested the two-amendment strategy*** followed by Applicant on January 23, 2009. SPE Abdi's suggestion to file multiple amendments, immediately together, was memorialized in Examiner Maguire's Interview Summary, as follows:

> Applicant will submit an amendment in the future reinstating original claim 14, now cancelled, and then will file an amendment directly afterwards that will include amendments to the reinstated claims, with underlines and square brackets, to clearly indicate the newly amended material.

The Supplementary Amendment of January 23, 2009 was entitled to entry pursuant to 37 C.F.R. § 1.111(a)(2)(B) as an "adoption of the examiner suggestions."

Alternatively, the language "Applicant will submit…" of Examiner Maguire's Interview Summary can be read as an "Office requirement," and thus the Supplementary Amendment of

January 23, 2009 was entitled to entry pursuant to 37 C.F.R. § 1.111(a)(2)(D) as a "reply to an Office requirement made after the first reply was filed."

The Action of July 6, 2009 examined the wrong claims. The next Office Action, if it rejects any claims, must be non-final, because the Office breached § 1.111(a)(2).

B. Second error: § 1.111(a)(2) is inconsistent with law at least as applied, and most likely facially as well

A C.F.R. rule may only be given an interpretation that does not conflict with a statute (recall that congressional statutes always trump C.F.R. regulations in event of any conflict).[8] The reading given to § 1.111(a)(2) given in the Action of July 2009 conflicts with several statutes and holdings of the Federal Circuit. It appears that § 1.111(a)(2) is facially invalid as well, because it violates the Administrative Procedure Act and Paperwork Reduction Act.

First, the Paperwork Reduction Act provides that an agency has ***no discretion whatsoever*** to require "unnecessarily duplicative [submission] of information otherwise reasonably accessible to the agency." 44 U.S.C. § 3506(c)(3)(B). Refusal to enter the Supplementary Amendment of January 23, 2009, and requiring that an all-but-identical paper be resubmitted before it will be considered, violates this statute.

Second, the Paperwork Reduction Act requires the PTO to "minimize burdens" on the public and to "reduce[ ] to the extent practicable and appropriate the burden on persons." 44 U.S.C. § 3506(c)(3). The PTO's justification statement, 69 Fed. Reg. 56482, 56516 (Sept. 21, 2004) is entirely one-sided, considering only costs to the PTO, totally ignoring costs to the public, the factor that is required by statute. Rule 1.111 is simply unlawful, because the PTO broke the law in 2004 when it failed to consider the appropriate factors.

Third, the Administrative Procedure Act provides that "With due regard for the convenience and necessity of the parties or their representatives and within a reasonable time, each agency shall proceed to conclude a matter presented to it." 5 U.S.C. § 555(b). Imposing

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[8] For example, the Supreme Court states that it is a "fundamental principle that federal agencies must obey all federal laws, not just those they administer." *Federal Communications Comm'n v. NextWave Personal Communications*, 537 U.S. 293, 299 (2003). The Supreme Court vacated a decision of the FCC even though the FCC had followed the Communications Act, because the FCC had breached the Administrative Procedure Act.

months of delay by refusing entry to an amendment filed only ***eight hours*** after the first is very difficult to reconcile with the APA.

Fourth, the Federal Circuit instructs that the PTO has an obligation to interpret the statute and rules to avoid "unnecessary expenditure of resources."[9] Expenditure of examination effort on claims that were clearly no longer of interest, and requiring Applicant to expend the resources on a gratuitous amendment, cannot be reconciled with the PTO's duty to avoid wasteful expenditures.

The PTO's view expressed in the Action of July 2009 and the Interview Summary of August 2009 is inconsistent with law. Because of this error, the cost of a wasted examination of the claims in the first amendment filed in February 2009 should be absorbed by the Office, not by this Applicant. The next Office Action may not be final.

C. The PTO Has No Clearance for 37 C.F.R. § 1.111(a), and Thus Must Permit the Filing of Claims "In Any Reasonable Manner"

The Paperwork Reduction Act, 44 U.S.C. § 3501-3519,[10] requires the PTO to request and obtain approval from the White House Office of Management and Budget before it may enforce any rule requiring any submission of information to the PTO.[11] The procedural steps that the

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[9] *See Helfgott & Karas, P.C. v. Dickinson*, 209 F.3d 1328, 1336, 54 USPQ2d 1425, 1431 (Fed. Cir. 2000).

[10] The text of the Act is available at http://www.archives.gov/federal-register/laws/paperwork-reduction/, and the text of OMB's implementing regulations for agencies (5 C.F.R. Part 1320, especially §§ 1320.5, 1320.8, 1320.9, and 1320.11) is at http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=/ecfrbrowse/Title05/5cfr1320_main_02.tpl.

[11] The term "collection of information" is defined as follows, 5 C.F.R. § 1320.3(c)

> (c) Collection of information means … the obtaining, causing to be obtained, soliciting, or requiring the disclosure to an agency… of information by or for an agency by means of identical questions posed to, or identical reporting, recordkeeping, or disclosure requirements imposed on, ten or more persons, whether such collection of information is mandatory, voluntary, or required to obtain or retain a benefit. "Collection of information" includes any requirement or request for persons to obtain, maintain, retain, report, or publicly disclose information. As used in this Part, "collection of information" refers to the act of collecting or disclosing information, to the information to be collected or disclosed, to a plan and/or an instrument calling for the collection or disclosure of information, or any of these, as appropriate.

PTO must follow are set out in 44 U.S.C. § 3507 ("An agency shall not conduct or sponsor the collection of information unless in advance of the adoption or revision … the agency has…" followed the steps for obtaining White House approval).

The undersigned attorney has obtained and reviewed all of the PTO's Paperwork Reduction filings from all of the relevant files at OMB since 2003. It appears that the PTO has neither sought nor obtained White House approval for the 2005 modification of Rule 111.[12] Thus, unless something relevant has escaped both this attorney's diligent search, the PTO has never sought, let alone obtained, White House Paperwork approval for the 2005 amendment to Rule 111.

Since the PTO has no valid OMB approval for Rule 111,[13] it cannot "display" that approval in the manner required by the Paperwork Reduction Act. In such situations, the Paperwork Reduction Act provides as follows:

> (1) A "collection of information" may be in any form or format, including the use of … rules or regulations; planning requirements; circulars; directives; instructions; bulletins…

OMB (the agency charged with administering the Paperwork Reduction Act, and thus the agency whose interpretation controls) interprets the term "collection of information" broadly enough to cover written arguments, elections, and divisional applications that would be filed pursuant to the examiner's papers.

[12] The most-relevant pages on the White House web site are the following:
http://www.reginfo.gov/public/do/PRAOMBHistory?ombControlNumber=0651-0031
http://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=200707-0651-005
http://www.reginfo.gov/public/do/DownloadDocument?documentID=44055&version=4

The PTO's filings before June 2006 are not available on the web site. The undersigned attorney requested copies of the PTO's paper filings back to 2003. No amendments to restriction practice are reflected in those papers.

[13] A "control number" covers only the specific information collections for which the PTO made filings required by 44 U.S.C. § 3506(c)(2)(A) and § 3507(a). A control number "is not a nose of wax, which may be turned and twisted in any direction, by merely referring to the [number], so as to make it include something more than, or something different from, what [the agency originally applied for]." Rather, the PTO must apply for a new control number (or extension to an existing control number) ***every*** time it makes a "substantive or material modification to a collection of information." § 3507(h)(3). It is the PTO's obligation to maintain an inventory of approved information collections, 44 U.S.C. § 3506(c)(1)(B), so that when the public asks questions such as those posed in Petitioner's email, the PTO can answer the specific question. Since Ms. McDowell was unable to answer the specific questions posed, it appears that the PTO broke the "inventory" law, too.

44 U.S.C. § 3512 Public protection

(a) Notwithstanding any other provision of law, no person shall be subject to any penalty for failing to comply with a collection of information that is subject to this subchapter if –

(1) the collection of information does not display a valid control number assigned by the Director in accordance with this subchapter; or

(2) the agency fails to inform the person who is to respond to the collection of information that such person is not required to respond to the collection of information unless it displays a valid control number.

(b) The protection provided by this section may be raised in the form of a complete defense, bar, or otherwise at any time during the agency administrative process or judicial action applicable thereto.

Regulations promulgated by the Executive Office of the President, and applicable to all federal agencies, provide as follows:[14]

5 C.F.R. § 1320.6 Public protection.

(c) Whenever an agency has imposed a collection of information as a means for proving or satisfying a condition for the receipt of a benefit or the avoidance of a penalty, and the collection of information does not display a currently valid OMB control number or inform the potential persons who are to respond to the collection of information, as prescribed in Sec. 1320.5(b), the agency shall not treat a person's failure to comply, in and of itself, as grounds for withholding the benefit or imposing the penalty. The agency shall instead permit respondents to prove or satisfy the legal conditions in any other reasonable manner. …

(d) Whenever a member of the public is protected from imposition of a penalty under this section for failure to comply with a collection of information, such penalty may not be imposed by an agency directly, by an agency through judicial process, or by any other person through administrative or judicial process.

If the PTO wishes to enforce 37 C.F.R. § 1.111(a)(2), , the PTO must identify each of the following five items:

- Where and when the PTO published objective estimates of burden for revised Rule 111, and sought public comment, as required by 44 U.S.C. § 3506(c)(2)(A) and (B).
- The OMB "valid control number" applicable to the precise information collection of Rule 111. Note that mere identification of a control number is not responsive to this question, if that control number has not been granted to cover the precise information collection that is subject to this inquiry.
- Either (a) the OMB ICR submission number[15] in which that control number was applied for, and the line item number in the Information Collection Supporting Statement for that

[14] http://edocket.access.gpo.gov/cfr_2002/janqtr/pdf/5cfr1320.6.pdf

submission, or (b) the line item in the current OMB "Notice of Action" or currently-approved information collection inventory.

- An indication where the control number is "displayed" in the manner required by 44 U.S.C. § 3512, with respect to Rule 111(a).
- Where the PTO informed the public that it is not required to comply with the 2005 amendment to Rule 111 unless the PTO displays a valid control number.

44 U.S.C. §§ 3507 and 3512 and 5 C.F.R. § 1320.6 provide that if any one of these five questions is not answered, the PTO cannot enforce Rule 111(a) as set forth in the examiner's July 2009 paper.

D. The July 2009 Action shows that no restriction requirement is warranted

By examining all claims 267-277 together, and applying the same primary reference to them, the Action of July 2009 shows that there is no serious search burden among the inventions in these claims. As noted in the preceding parts of the remarks of this paper, the newly-added independent claims correspond closely to claims 267-277, closely enough that it seems it will be impossible to show "serious search burden."

In spite of the PTO's repeated breaking of promises it made, memorialized in the MPEP and the Interview Summaries of January 2009, this Applicant will keep his word. If the Examiner can make ***all*** the showings required by the MPEP to raise a restriction requirement, Applicant will accede to a restriction requirement. However, because the PTO broke its word, Applicant now insists that the PTO ***fully***, strictly, and ***carefully*** comply with ***all*** requirements in the MPEP relating to further examination. This application has been delayed for ***over three years because the previous examiners would not follow MPEP instructions***. This applicant has borne enormous costs because of the PTO's repeated breaches of procedure. It is now time to move this application forward, and to do that, the PTO must proceed in strict conformance with those procedures that protect applicants from PTO overreaching and sloppiness.

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[15] An "ICR submission number" is 6 digits, dash, 4 digits, dash, 3 digits. The relevant OMB submissions are listed at http://www.reginfo.gov/public/do/PRAOMBHistory?ombControlNumber=0651-0031. Note that approvals for ICR submissions 200512-0651-002 (12/22/205), 200606-0651-001 (6/5/2006) and 200703-0651-001 (3/13/2007) were revoked in April 2008, as documented at http://www.reginfo.gov/public/do/DownloadDocument?documentID=44055&version=4. This leaves no submission in the relevant time period that could conceivably be applicable.

Applicant looks forward to a genuinely collegial and cooperative relationship, and hopes that it starts with the PTO ending its practice of short-cutting rules that protect applicants.

VI. Withdrawal of Previous Remarks

Applicant withdraw previous arguments that are not based on the claims. Applicant promises that all future papers will be focused on particular claim language, or considerations that relate to precise legal principles.

In return, Applicant requests that all papers from the Examiner be similarly focused on the precise language of the claims, the precise teaching of the references, and precise legal principles, including the required elements of *prima facie* grounds of rejection (*e.g.*, MPEP § 2143-2143.03 for obviousness). Applicant requests that all future Office papers designate portions of references thought to correspond to <u>each</u> element of the claims "as nearly as practicable," and either make showings that the elements of the references are arranged as recited in the claims or establish all *prima facie* elements of obviousness, and show that the references provide either an enabling disclosure or "reasonable expectation of success" (MPEP § 2143.02).

The claims as now pending are broader in some respects than previous claims. Applicant intends that the claims as now pending be interpreted under the ordinary interpretation understood in the art, without regard to any previous statements by Applicant's counsel. Applicant hereby rescinds, and no longer intends that the claims be limited by, any assertion, statement, argument, amendment or other action in this patent application, or in any application whose file history is available for use in interpreting any patent issuing on this application. No such assertion, statement, argument, amendment or other action in this application or in any such available application should be taken as a surrender of or disclaimer from, and may not be used to interpret, any claim of this patent, or any claim of any patent to which such applications' file histories may be pertinent.

Among the remarks withdrawn are the following:

- All characterizations of "the invention" that are not literally stated in the claims, including those in the specification, are withdrawn.
- All quotations from and references to the specification, to the extent that they suggest that the scope of the invention is defined by the specification rather than the claims, are withdrawn (e.g., paper of 7/27/2005 at pages 8-9, paper of 12/5/2005 at pages 10-11).
- All arguments not based on limitations stated in the claims, and all statements that any feature of the specification is "necessary" or "must" be present when not stated in the

claims (*e.g.*, paper of 7/27/2005 at pages 9-10; paper of 12/5/2005 at page 10), are withdrawn.

- All arguments that imply that all offers must communicate all material terms "as part of the original advertisement" (*e.g.*, paper of 12/5/2005 at page 10), and similar statements not directly stated in the claims, are withdrawn.
- Any implication that multiple claims stand or fall together, or that dissimilar claim language may be considered equivalent (*e.g.*, paper of 7/24/2006 at page 10), is withdrawn.

Applicant hereby requests that the Examiner re-visit any previous surrender, disclaimer or characterization of claims, and re-visit any prior art that may have been avoided or intended to be avoided by such surrender, disclaimer or characterization. Pursuant to this request, and to guide this re-visit, Applicant submits a Form 1449 with all references applied in this application and all parent applications. Applicant requests that the 1449 be initialed to confirm that the references have been re-visited. In addition, a new search is requested.

VII. Conclusion

Applicant hereby authorizes the USPTO to communicate with any authorized representative concerning this application by electronic mail.

In view of these remarks, Applicant respectfully submits that the claims are in condition for allowance. Applicant requests that the application be passed to issue in due course. The Examiner is urged to telephone Applicant's undersigned counsel at the number noted below if it will advance the prosecution of this application, or with any suggestion to resolve any condition that would impede allowance. For the entire pendency of this application, the Commissioner is hereby authorized to charge any additional required fees (including all extension of time fees), or credit any overpayment, to Deposit Account No. 50-3938, Order No. 00-8201.

Respectfully submitted,

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Dated: January 6, 2010

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